DRN-4634368

The complaint

Miss P complains about the service she received from Lloyds Bank PLC (Lloyds) after she met with it to discuss her mortgage arrangements. She says she hasn't received an explanation of what was wrong with her original mortgage application requiring it to be "stopped."

She would like further compensation for the time it took her to deal with the errors and delays she says Lloyds caused as well as waiver of any early redemption charge (ERC) that might be imposed on her to switch to another lender – which she now feels compelled to do having lost confidence in Lloyds.

What happened

In July 2018 Miss P and her brother effected a product transfer on their existing mortgage. The repayment part of the loan was transferred to a five year fixed rate at 3.14% while the rest of the loan – which was on an interest only arrangement – remained on the standard variable rate (SVR).

In June 2023 Miss P met with an adviser from Lloyds to discuss the mortgage, particularly with a view to a Transfer of Mortgage Property (TOMP) from joint names with her brother to her sole name. It was agreed to switch the interest only part of the loan to a new five year fixed rate of 4.01% while the TOMP progressed. Lloyds said that any further borrowing would be subject to a full analysis of Miss P's affordability, however the product switch could be completed on her authority alone as there were no affordability issues in taking out the new product.

Miss P continued with her TOMP application and was issued with a mortgage offer in her sole name on 2 August 2023. The offer noted some extra borrowing for debt consolidation purposes, an extension of the mortgage term, and a switch to a repayment loan. But in September 2023, another adviser who had taken over Miss P's application identified that the existing 3.14% on part of her mortgage was due to end on 31 October 2023, so Miss P ought to be provided with further options. So, the adviser contacted Miss P to make her aware that her mortgage application had been put on hold while the original application was reviewed.

Miss P contacted Lloyds to complain and to find out why her application had been stopped, but the adviser wasn't available. Miss P said she was told there were no notes on her file about the situation and the operative she spoke with was rude and unable to give her any timescales for when her complaint would be looked at.

The new adviser subsequently spoke to Miss P later in the day and made her aware of the options that were available – although they also said her brother's signature would now also be required. Miss P also discovered that Lloyds had conducted a hard credit check which showed up on her credit file and which she thought could have an adverse impact on her ability to obtain credit.

Miss P said she wanted the credit check removed and progression of her mortgage application without incurring further fees. It was agreed that the original application would be processed using the SVR on the element of the loan where the fixed rate was due to expire shortly. Lloyds also agreed to ask for the removal of any unnecessary credit checks it had run.

A revised mortgage offer was issued on 18 September 2023 with five year fixed rate deals on all three parts of the loan.

Lloyds then issued a final response to Miss P's earlier complaint. It made the following points:

- The new adviser had found an error within the original mortgage application, but Miss P's application shouldn't have been closed without speaking to her and reviewing the various options.
- The service it provided during a phone call with Miss P wasn't up to its expected high standards.
- The additional credit searches which shouldn't have been carried out had now been removed.
- A formal mortgage offer had now been issued.
- It had paid her £125 for the upset and uncertainty its service had caused.

Miss P wasn't happy with this response, so she brought her complaint to us where one of our investigators looked into the matter. He didn't think the complaint should be upheld making the following points in support of his assessment.

- It was reasonable for the new mortgage adviser to review Miss P's existing application and was part of Lloyds's standard procedures. In this case the adviser identified that Miss P hadn't been provided with all the information she needed to make an informed decision, so it was in Miss P's best interest this was carried out.
- He thought Miss P secured a lower fixed rate for a sub-account in her latest mortgage offer so, although he understood her frustration and stress at the delays and lack of communication when the original application was halted, he thought Miss P had appeared to benefit financially.
- Lloyds ought to have added notes to Miss P's application record so that it could have updated her about the application when she contacted it. This undoubtably caused Miss P some distress and inconvenience.
- More inconvenience was caused when Lloyds caused a further hard credit search to be added to Miss P's credit file. Although these searches were eventually removed Miss P had to provide evidence of them more than once.
- He didn't think it was unreasonable for Lloyds to insist that a joint party agreed to contractual changes to a mortgage. He thought it was possible that the TOMP might not go ahead which would leave Miss P's brother bound by terms he might not have seen.
- In reference to the delays that Miss P had said occurred during the process, he thought there may have been some delays in issuing the mortgage offers.

- But considering the offer from September 2023 hadn't completed as of 31 October 2023, he didn't think any delays would have affected the completion of the mortgage and no financial loss had therefore been suffered.
- Overall, he thought that there were aspects of Lloyds' service which were poor at times, but they didn't change the outcome of the mortgage application. So he thought Lloyds' offer was fair and reasonable.

Miss P didn't agree. She said that when she first met with Lloyds in June 2023 her brother's signature wasn't required for a product transfer – which did have an ERC – but it was required in August/September 2023. She said if Lloyds' position had been consistent, and the signature was requested in June 2023, then she wouldn't have transferred to a new product which will cause her to have to pay an ERC.

She asked for her complaint to be referred to an ombudsman – confirming that the reasons behind her need for a mortgage offer were fully explained to Lloyds at the beginning of the process and remained unchanged throughout. So, the complaint has been passed to me to review.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

And having done so I've reached the same conclusion as the investigator. I'll explain my reasons below.

The question of Miss P's brother's signature and whether this affected her mortgage offer

Miss P says that when she met with Lloyds in early 2023 she was able to switch part of her loan to a new fixed rate product without her brother's authorisation as the joint borrower. I note this was the only change to the mortgage at that time. So as it was a simple product switch which didn't affect the outstanding mortgage balance or the remaining term, and Miss P and her brother were jointly and severally liable for the mortgage, Lloyds could accept instructions from either or both of them. I think it was reasonable for Lloyds to make that change with her sole authorisation. There would have been no additional lending risk to Lloyds following the switch and it wouldn't have committed her brother to anything further either. I note Miss P's point about the new product having an ERC on early repayment, but this wasn't a barrier to her brother coming off the mortgage for example, as the product could have been maintained followed a successful TOMP.

But Miss P says that Lloyds did however require her brother's signature for the mortgage offers she received in July and August 2023. She says that if she'd known that to be the case she might not have made the earlier product switch. But I've looked carefully at the mortgage offer from 24 August 2023, and I note it was for a sum of £137,805 over 21 years and switched all of the loan to a repayment basis. It was noted this was to include additional borrowing for debt consolidation purposes over a longer term. So at this point I think it was reasonable to ask her brother to sign the offer so that he was aware of the additional borrowing and payments required and wouldn't be left in a situation whereby he was responsible for that without being aware. So I think it was reasonable for Lloyds to adopt that approach when further borrowing was requested.

But even so I don't think requesting both borrowers to sign a mortgage offer is a particularly onerous request which would normally cause more inconvenience. I think the problem here is that Miss P had also made a request to transfer the mortgage to her sole name – which I understand still hasn't been completed.
So I think it was important for Miss P's brother to be aware of and sign to accept any changes that may have been requested to the loan in case the TOMP didn't progress which would have exposed him to the additional borrowing repayment.

I know Miss P says that if Lloyds had been consistent in its approach she wouldn't have agreed to the earlier product switch. But I think Lloyds could only be expected to process each request on the basis of its requirements and what it knew about the borrowers' situation on each occasion. I wouldn't expect it therefore to have told Miss P when it carried out the product switch that if she subsequently changed the terms of the loan it would require both signatures. So I can't reasonably say that Miss P was misled into agreeing to a product switch with an ERC or that the ERC should be waived if she wants to take up another offer with another provider.

The delays and service Miss P received from Lloyds

I understand that when a new adviser took over Miss P's application they decided to review the offer and put a hold on the application as they thought Miss P ought to be provided with further options. This was because a significant part of the mortgage balance would revert to the SVR on 1 November 2023. So had Miss P gone ahead with the original offer, she would then need either to have arranged another new product later in 2023 or to have paid interest at the SVR. I don't think was unreasonable and was in fact in Miss P's best interest to ensure she was able to obtain the best rate possible on that part of the loan. The problem that arose was that the adviser wasn't able to explain the reason for the temporary suspension of the application before Miss P became aware of it and contacted Lloyds for an explanation.

The problem was made worse because there were no notes on Lloyds' system for it to provide Miss P with any reason for its actions when she made contact. I can imagine the frustration this would have caused Miss P as she had invested time and effort into progressing her mortgage application so would have been concerned to learn it had been halted for no apparent reason. Some basic explanation of the problem – until such a time as the adviser could explain more fully, would undoubtedly have reduced Miss P's concern here. Although I note that when considering the impact this had, the adviser was able to speak with Miss P later that same day. But I do think this aspect of "poor" service needs to be considered within the context of any compensation that was offered.

Miss P has also told us that, as part of the new adviser's review, additional hard credit searches were carried out. She says these were unnecessary and could have caused her problems obtaining further credit including alternative mortgage offers. And Lloyds has accepted it shouldn't have carried out these searches and also that it requested duplicate evidence from Miss P to confirm the searches were on her credit file. I'm pleased to learn that the matter was resolved, and the searches were erased from any credit files they'd been placed on, but I don't take lightly that this would have added to Miss P's frustration and concerns.

Likewise, Miss P has also alluded to delays that occurred over the issuing of the mortgage offers during August and September 2023. I think any delays were most likely caused by the temporary cessation of the application while new options we considered, and I think they were part of the overall process. And the final offer that was issued was for the required borrowing and set out fixed rates for all the component parts of the mortgage. I have considered whether there were any delays, but I don't think the process took an unreasonable length of time overall and in any event there was no loss. So I can't reasonably determine this impacted Miss P to any significant degree.

The offer of compensation

I think the experience Miss P had when she contacted Lloyds to find out why her mortgage application had been halted would have had some impact on her and caused further distress and inconvenience. I also think Lloyds made an error when it carried out further credit searches which appeared on some of her credit files. I know Lloyd corrected this issue, but I think this would have caused Miss P some concern and it required her to provide evidence to Lloyds in order for them to be corrected.

I think these matters warrant a payment of compensation to Miss P and I note Lloyds paid her £125 for the overall level of distress and inconvenience. But Miss P thinks the level should be higher considering how much of her working days it took to resolve these issues – based on her hourly rate of pay.

We wouldn't usually make a specific award for someone's time, but we would consider the inconvenience caused in spending time dealing with a matter. So I've considered this matter very carefully. But I've decided that, when taken overall, Lloyds' offer is within the range of what I would expect to see for errors such as this and their impact.

My final decision

For the reasons that I've given I don't uphold Miss P's complaint. I think the payment Lloyds has made is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 29 May 2024.

Keith Lawrence
Ombudsman